

ADMINISTRATIVE - INTERNAL USE ONLY

DD/S 69-1938

28 APR 1969

MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Voluntary Employee Savings and Investment Plan

1. This memorandum contains a recommendation for your approval;
This recommendation is contained in paragraph 2.

2. While the attached memorandum is addressed to me I feel the recommended course of action should have your official approval. When the Voluntary Employee Savings and Investment Plan is presented to the employees it should be complete unto itself so that the employees can specifically assess their financial status and needs in relationship to membership in the plan. Therefore it is necessary that we proceed with a broker such as ☐ to develop in specific detail the investment program with one or two mutual fund organizations. Accordingly, I recommend your approval of this proposal.

SIGNED R. L. Bannerman

R. L. Bannerman
Deputy Director
for Support

Att: Memo dtd 14 Apr 69 for DD/S
fr C/TFEPT, same subj

The recommendation contained in paragraph 2 is approved.

/s/
L. K. White

Executive Director-Comptroller

1 MAY 1969
Date

Distribution:

- Orig - Adse w/att (Return to DD/S)
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RLB —

This makes me
a bit nervous - that
the task force be authorized
to go to I'm getting
the impression that we
are getting a bit deep
and maybe need some
further backing.

15 APR 1969

General Counsel

Deputy Director for Support



I may be unduly sensitive about this matter of designating a broker who will get the commission if CIA sets up the Mutual Fund Savings Plan. However, there are local brokers who would like the business and who could claim to have sent CIA literature and prospectuses on funds we might ultimately select.



SA-DD/S

14 APR 1969

DD/S/SS/[redacted] (14 Apr 69)

Distribution:

Orig. - Addressee w/O DD/S 69-1663

1 - DD/S Subject w/cc DD/S 69-1663

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DD/S 69-1663: Memo for DD/S fm [redacted] dtd 14 Apr 69 subj: Voluntary Employee Savings and Investment Plan

DD/S 69-1663

14 APR 1969

MEMORANDUM FOR: Deputy Director for Support

SUBJECT : Voluntary Employee Savings and Investment Plan

1. This memorandum contains a recommendation and a request for your approval in paragraph 10.

2. The Task Force established to develop, if feasible, an actionable plan for the operation of a CIA tax-sheltered employee savings plan has progressed slowly due to limitations on the availability of key members.

3. At the present time, however, the members are individually and collectively well informed on most aspects of the mission, its requirements, and problems. There is in draft form a Trust Agreement which is the basic legal instrument under which the plan would receive approval of the Internal Revenue Service as a pension trust qualified for income tax exemption. Also in tentative form are the Rules and Terms of the CIA savings and investment plan which would govern the operation of the plan. These Rules and Terms would be incorporated, at least by reference, in the basic Trust Agreement.

4. The time is at hand when it is imperative that we tentatively identify one or several mutual fund management organizations having funds deemed appropriate to the investment objectives of CIA employees and the responsibilities of the CIA as sponsor of the plan. This must be done in order that direct discussions can take place to learn more accurately than one can from printed prospectuses the investment objectives and methods of specific funds and, equally important, the accounting, legal, and promotional services the fund organization is prepared to render and the costs thereof.

5. To assist the Task Force in the initial selection of the seemingly most appropriate mutual fund organizations, we would like to have knowledgeable, unbiased, professional counsel. We would also like to have professional counsel in our discussions and preliminary negotiations with the fund organizations considered serious contenders for the CIA business.

6. Mr. [] the legal staff member of the Task Force, has specifically recommended that we use the services of the [] as our counselors in this process. The other Task Force

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members unanimously endorse this proposal. [] has broad experience in the mutual fund field arising from the fact that they serve as brokers selling any mutual fund that a client may desire to buy in conjunction with his insurance program. Indeed, the role of impartial advisor and evaluator of mutual funds for varying investment objectives is a normal one []

STAT 7. In addition to [] broad experience in and knowledgeability of the field of mutual funds, there are other specific factors which suggest its selection as our counselor at this time and ultimately as our broker. Senior STAT [] officials are well and favorably known to the Agency and have assisted STAT CIA in many ways - both with and without commercial recompense. In addition, [] is in the special position vis-a-vis most other brokers we might use of having computer capability and experience in the event the Agency chooses not to carry out the all important record keeping function on an in-house basis. Finally, because of its prestige and financial influence, [] would be a powerful influence in ensuring that CIA receives optimum assistance in the development of explanatory promotional materials and administrative mechanisms.

STAT 8. It is relevant to point out that the tentative selection [] as our broker in no way obligates the Agency or creates a permanent relationship. [] however, may ultimately realize substantial sales commissions, but this fact would in no way increase the cost to CIA employees. The commission on the purchase of mutual funds is exactly the same whether the purchaser deals directly with the fund or goes through a broker. This is prescribed by the regulations of the New York Stock Exchange and the National Association of Securities Dealers. The purchaser, however, by designating a preferred broker can obtain assistance, advice, and services from his broker with knowledge that he is receiving adequate compensation. Failure to select a broker merely wastes the opportunity to obtain expert advice and assistance without cost.

9. The Task Force members are individually unaware of and do not believe there is any conflict of interest in suggesting the use [] in this matter. The proposal has also been approved by the Chief, Central Cover Staff with respect to his responsibilities.

STAT 10. It is recommended that the Task Force be authorized to enlist the services of [] as counselor and intermediary in the process of selecting the mutual fund organization or organizations seeming most appropriate for the purposes of the tentative CIA pension trust. This recommendation is made with full recognition that so doing will probably place [] in the position of

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STAT broker in the event CIA ultimately concludes a purchase agreement subsequent to discussions and negotiations in which was a participant.

Chairman
Task Force on Employee Pension Trust

cc: Ea Member of Task Force

STAT Dr.
Mr.
Mr.
Mr.
Mr.

General Counsel

CONCUR with respect to absence of conflict of interest:

STAT

Lawrence R. Houston
General Counsel

Date

The recommendation in paragraph 10 is APPROVED:

SIGNED R. L. Bannerman

5 MAY 1969

STAT R. L. Bannerman
Deputy Director
for Support

Date

STAT SA-DD/S/SS/ (14 Apr 69)

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